

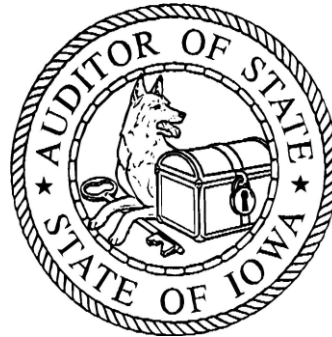
SAMPLE ACCRUAL COUNTY LANDFILL ASSOCIATION

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2015

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



Mary Mosiman, CPA
Auditor of State



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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Des Moines, Iowa 50319-0004

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Fellow CPAs:

This sample report is presented by the Office of Auditor of State as required by Chapter 11.6 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client. This sample is prepared based on an Association providing solid waste services on the basis of an agreement between several municipalities and a county government, as provided for in Chapter 28E of the Code of Iowa.

Audits of landfill associations should be performed in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and, if applicable, the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

This sample report has been prepared in conformity with U.S. generally accepted accounting principles and conforms to guidelines provided in Governmental Accounting and Financial Reporting Standards published by the Governmental Accounting Standards Board.

The format displays the basic financial statements, required supplementary information and the Schedule of Findings which are necessary to meet the requirements of this Office. The detail presented in the financial statements is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the Association feel more detail is necessary to provide a fair presentation, this of course will be welcome. A sample such as this cannot present all situations which you may encounter, so the auditor's professional judgment must be used in determining the additional information to be shown as well as the footnotes to be presented.

Associations with \$500,000 or more of federal expenditures are required to receive a Single Audit in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Any questions concerning Single Audit requirements should be directed to the Association's cognizant or oversight agency.

In accordance with OMB Circular A-133, the reporting package and the Data Collection Form shall be submitted to the central clearinghouse the earlier of 30 days after issuance of the audit report or 9 months after the reporting period. The Office of Management and Budget has designated the United States Department of Commerce, Bureau of the Census as the Single Audit Clearinghouse. The Data Collection Form and reporting package must be submitted using the Clearinghouse's Internet Data Entry System at <https://harvester.census.gov/facweb/>. The system requires the reporting package be uploaded in a single PDF file. Both the auditee and auditor contacts receive automated e-mails from the Federal Audit Clearinghouse as verification of the submission. In addition, reporting packages or notifications of audit should be submitted to grantor pass-through entities in accordance with the filing requirements of the Circular.

In December 2008, the Securities and Exchange Commission adopted an amendment to its Rule 15c2-12 governing ongoing disclosure by municipalities to the bond markets. The amendment was effective July 1, 2009 and widened those issuers subject to the ongoing filing requirements and now virtually any municipality which issues more than one million dollars of

securities per issue is subject to an ongoing filing responsibility. The amendment requires, in part, all continuing disclosure submissions must be provided to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. In addition, submissions must be in an electronic format (PDF) and, effective January 1, 2010, such filings must be in a word-searchable PDF (not scanned) format.

The findings on compliance, items (1) through (6), detail those items which are to be included regardless of whether there are instances of non-compliance or not. Any instances of non-compliance in other areas should also be reported. An example of a finding for non-compliance with financial assurance requirements is included in the additional notes section.

We have also included a page for listing the staff actually performing the audit. Although we have found this page to be helpful, you are not required to use it.

As required by Chapter 11 of the Code of Iowa, the news media are to be notified of the issuance of the audit report by the CPA firm, unless the firm has made other arrangements with the Association for the notification. We have developed a standard news release to be used for this purpose. The news release may be completed by the Association and a copy should be sent to this Office with two copies of the audit report sent by the CPA firm. Report filing requirements are detailed on the attached listing. We will make a copy of the audit report and news release available to the news media in this Office.

In accordance with Chapter 11 of the Code of Iowa, this Office is to be notified immediately regarding any suspected embezzlement, theft or significant financial irregularities.

Finally, I would like to express my appreciation to all CPA firms who are providing audit or other services to local governments and related entities. Together, we are able to provide a significant benefit to all taxpayers in the State.

A handwritten signature in black ink that reads "Mary Mosiman". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

MARY MOSIMAN, CPA
Auditor of State

Office of Auditor of State
Report Filing Requirements

Paper Copy Submission

Two paper copies of the audit report, including the management letter(s) if issued separately, are required to be filed with this Office upon release to the Association within nine months following the end of the fiscal year subject to audit. In addition to the copies of the audit report, a copy of the CPA firm's per diem audit billing, including total cost and hours, and a copy of the news release or media notification should be sent to:

Office of Auditor of State
State Capitol Building
Room 111
1007 East Grand Avenue
Des Moines, Iowa 50319-0001

One copy of the audit report should be filed with the Iowa Department of Natural Resources.

Electronic Submission

The Association or CPA firm must also e-mail a PDF copy of the audit report to the Auditor of State's Office to:

SubmitReports@auditor.state.ia.us

If you are unable to e-mail the file, you may mail a CD containing the PDF file to this Office. You may direct any questions about submitting the electronic copy of the audit report to the above e-mail address.

Filing Fee Submission

The filing fee should be mailed separately to:

Office of Auditor of State
PO Box 333
Des Moines, Iowa 50302-0333

The designated budget strata and applicable filing fees are as follows:

<u>Budgeted Expenditures in Millions of Dollars</u>	<u>Filing Fee Amount</u>
Under 1	\$100.00
At least 1 but less than 3	\$175.00
At least 3 but less than 5	\$250.00
At least 5 but less than 10	\$425.00
At least 10 but less than 25	\$625.00
25 and over	\$850.00

Sample Accrual County Landfill Association

Outline of Major Changes

- A. Implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions made subsequent to the Measurement Date – an Amendment of GASB Statement No. 68. The following changes have been made to the sample report.
- Amended Exhibits A, B and C as a result of recognition of pension expense in accordance with GASB Statement No. 68.
 - Revised the following note disclosures – Summary of Significant Accounting Policies (Note 1), Pension Plan (Note 3) and Long-Term Liabilities (Note 6).
 - Included a note disclosure (Note 10) for the restatement of the beginning net pension liability.
 - Included the following Required Supplementary Information – Schedule of the Association's Proportionate Share of the Net Pension Liability, Schedule of Association Contributions and Notes to Required Supplementary Information – Pension Liability.

Additional Notes

1. If the Association has deposits in credit unions at June 30, 2015, Note 2 should be modified to indicate whether the deposits were covered by federal depository insurance, collateralized with securities or letters of credit held by the Association or the Association's agent in the Association's name or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.
2. If the Association has not properly complied with Chapter 567-113.14(6) of the Iowa Administrative Code in demonstrating financial assurance for closure and postclosure care, then the Schedule of Findings should include a finding, such as:

Financial Assurance – The Association has not demonstrated financial assurance for closure and postclosure care as required by Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	Closure	Postclosure Care
Total estimated costs for closure and postclosure care	\$ 346,166	339,770
Less: Balance of funds held in the local dedicated fund at June 30, 2014	(308,000)	(213,059)
	38,166	126,711
Divided by the number of years remaining in the pay-in period	÷ 1	1
Required payment into the local dedicated fund for the year ended June 30, 2015	38,166	126,711
Balance of funds held in the local dedicated fund at at June 30, 2014	308,000	213,059
Required balance of funds to be held in the local dedicated fund at June 30, 2015	<u>\$ 346,166</u>	<u>339,770</u>
Amount Association has restricted for closure and postclosure care at June 30, 2015	<u>\$ 345,000</u>	<u>335,000</u>

Recommendation – The Association should demonstrate financial assurance by designating amounts sufficient to comply with Iowa Administrative Code requirements.

3. Following is an example footnote for an early retirement or other benefit plan or policy that meets the definition of a “termination benefit” as defined by GASB Statement No. 47.

Sample Note – Termination Benefits

In September 2013, the Association approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of full-time service to the Association and must have reached the age of fifty-five on or before June 30, 2014. The application for early retirement was subject to approval by the Association Board.

Early retirement benefits equal 60% of the employee’s salary in effect during the employee’s last year of employment, with a maximum retirement benefit of \$30,000.

The policy requires early retirement benefits be paid in three equal installments beginning January 1, 2015. The second and third payments will be paid July 1, 2015 and July 1, 2016, respectively.

At June 30, 2015, the Association has obligations to three participants with a total liability of \$51,284. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$25,642.

4. If the Association operates a transfer station, disclosure of the closure care costs should be included in the Notes to Financial Statements. In addition, the Schedule of Findings should include a finding indicating whether the Association has demonstrated financial assurance for closure care costs of the transfer station. Following is an example footnote for transfer station closure care.

Transfer Station Closure Care

To comply with state regulations, the Association is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces which have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles which will remain on site, including the rinsing of all surfaces which have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Association is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station.

The total closure care costs for the Association as of June 30, 2015 have been estimated to be \$9,830. The balance has been restricted and is fully funded at June 30, 2015.

5. If the Association is a member of the Iowa Communities Assurance Pool, the following disclosure should be included in the Notes to Financial Statements.

Risk Management

The Association is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims

against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Association's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Association's contributions to the Pool for the year ended June 30, 2015 were \$_____.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Association's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Association's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Association's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

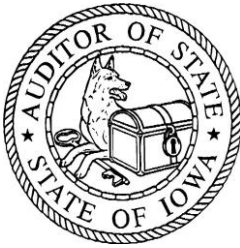
The Association does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the Association's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the

member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Association also carries commercial insurance purchased from other insurers for coverage associated with _____ in the amount of \$_____ and \$_____, respectively. The Association assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

6. Because the Association presented in this sample report is participating in the Sample County OPEB plan rather than maintaining its own OPEB plan, the RSI required by GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is not presented in this sample report. Instead, it is included in the sample report for Sample County.



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STATE OF IOWA

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NEWS RELEASE

Contact:

FOR RELEASE _____

Auditor of State Mary Mosiman today released an audit report on the Sample Accrual County Landfill Association.

The Association had total revenues of \$_____ for the year ended June 30, 2015, a(n) _____ % increase (decrease) from the prior year. The revenues included gate fees of \$_____ and County and City assessments of \$_____.

Expenses for the year ended June 30, 2015 totaled \$_____, a(n) _____ % increase (decrease) from the prior year, and included \$_____ for _____ a _____, \$_____ for _____ b _____, and \$_____ for _____ c _____. (a,b,c – the three highest expense totals) The significant increase (decrease) in revenues and expenses is due primarily to _____.

A copy of the audit report is available for review in the Sample Accrual County Landfill Association's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

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SAMPLE ACCRUAL COUNTY LANDFILL ASSOCIATION

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2015

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Sample Accrual County Landfill Association

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dwight Lewis	Chairperson	Sample Accrual County
Susan Greene	Vice-Chairperson	City of Big Bluffs
Carroll Jensen	Member	City of Cloudy Springs
Jacob McCoy	Member	City of Northdale
Glen Schmitz	Member	City of Coolville
Leon Collins	Member	City of Park Lake
Jay Bird	Member	City of Harrisburg
Martin Wright	Member	City of River Falls
Eileen Johnson	Member	City of Blakestown
Jennifer Fiddelke	Member	City of Round Lake
Jesse Miller	Member	City of Jackson
David Stewart	Member	City of Green Valley
Richard Carson	Manager	
Judy Clark	Secretary	

Sample Accrual County Landfill Association



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Independent Auditor's Report

To the Members of the Sample Accrual
County Landfill Association:

Report on the Financial Statements

We have audited the accompanying financial statements of the Sample Accrual County Landfill Association as of and for the year ended June 30, 2015, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sample Accrual County Landfill Association as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 10 to the financial statements, Sample Accrual County Landfill Association adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Association's Proportionate Share of the Net Pension Liability and the Schedule of Association Contributions information on pages 7 through 10 and pages 29 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2015 on our consideration of the Sample Accrual County Landfill Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Sample Accrual County Landfill Association's internal control over financial reporting and compliance.

MARY MOSIMAN, CPA
Auditor of State

October 22, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Sample Accrual County Landfill Association provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2015. We encourage readers to consider this information in conjunction with the Association's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- ◆ The Association's operating revenues increased 19%, or \$97,257, from fiscal year 2014 to fiscal year 2015. Gate fees and County and City assessments increased and other revenues decreased.
- ◆ The Association's operating expenses were 7%, or \$27,206, more in fiscal year 2015 than in fiscal year 2014.
- ◆ The Association's net position increased 16%, or \$102,580, from June 30, 2014 to June 30, 2015.

USING THIS ANNUAL REPORT

The Sample Accrual County Landfill Association is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to the Sample Accrual County Landfill Association's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Association's financial activities.

The Statement of Net Position presents information on the Association's assets and deferred outflows of resources less the Association's liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Association's operating revenues and expenses, non-operating revenues and expenses and whether the Association's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Association's cash and cash equivalents during the year. This information can assist readers of the report in determining how the Association financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with the Landfill's proportionate share of the net pension liability and related contributions.

FINANCIAL ANALYSIS OF THE ASSOCIATION

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Association's financial position. The Association's net position at the end of fiscal year 2015 totaled approximately \$739,000. This compares to approximately \$636,000 at the end of fiscal year 2014. A summary of the Association's net position is presented below.

Net Position		
	June 30,	
	2014	
	2015 (not restated)	
Current assets	\$ 683,780	616,393
Restricted investments	690,000	575,000
Capital assets at cost, less accumulated depreciation	181,850	185,695
Total assets	1,555,630	1,377,088
Deferred outflows of resources	13,045	-
Current liabilities	46,945	167,427
Noncurrent liabilities	754,511	573,410
Total liabilities	801,456	740,837
Deferred inflows of resources	28,388	-
Net position:		
Net investment in capital assets	116,499	120,113
Restricted	45,273	66,941
Unrestricted	577,059	449,197
Total net position	\$ 738,831	636,251

The unrestricted portion of the Association's net position (78%) may be used to meet the Association's obligations as they come due. The invested in capital assets (e.g., land, buildings and equipment), less the related debt portion of net position (16%) are resources allocated to capital assets. The remaining net position is restricted for closure and postclosure care and for tonnage fees due to the State of Iowa. State and federal laws and regulations require the Association to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The beginning net position was restated \$84,290 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal year 2014 net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2015 and 2014 is presented below.

Changes in Net Position		
	Year ended June 30,	
		2014
		2015 (not restated)
Operating revenues:		
Gate fees	\$	483,148
County and city assessments		394,312
Other operating revenues		101,318
Total operating revenues		17,275
Operating expenses:		
Salaries and benefits		610,162
Mach:		512,905
Oil and gas		146,034
Long range planning and engineering		142,887
Site maintenance		5,812
Site utilities		3,917
Office expenses		7,102
Training and travel		7,009
Legal and accounting		9,125
Insurance		8,742
Closure and postclosure care		6,084
Planning and recycling		3,952
Iowa Department of Natural Resources tonnage fees		3,903
Depreciation		4,155
Non-capitalized equipment		5,022
Sales tax		382
Miscellaneous		3,250
Total operating expenses		11,593
Operating income		185,636
Non-operating revenues (expenses):		
Interest income		165,750
Interest expense		1,600
Net non-operating revenues		23,815
Change in net position		20,912
Net position beginning of year, as restated		25,746
Net position end of year		26,111

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year with an increase in net position at the end of the fiscal year.

In fiscal year 2015, operating revenues increased \$97,257, or 19%, primarily a result of gate fees increasing approximately \$89,000 due to an increase in the volume of collections. Operating expenses increased \$27,206, or 7%. The increase was primarily a result of estimated closure and postclosure care increasing approximately \$20,000.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes the purchase of certificates of deposit and interest income.

CAPITAL ASSETS

At June 30, 2015, the Association had approximately \$182,000 invested in capital assets, net of accumulated depreciation of approximately \$252,000. Depreciation expense totaled \$25,746 for fiscal year 2015. More detailed information about the Association's capital assets is presented in Note 3 to the financial statements.

LONG-TERM DEBT

At June 30, 2015, the Association had \$65,351 outstanding for a capital lease purchase agreement, a decrease of \$30,875 from June 30, 2014. Additional information about the Association's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

The Sample Accrual County Landfill Association continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Association officials. Some of the realities which may potentially become challenges for the Association to meet are:

- ◆ Facilities and equipment at the Association require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- ◆ Annual deposits required to be made to closure and postclosure care accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Association anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Association's ability to react to unknown issues.

CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Association's finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sample Accrual County Landfill Association, P.O. Box 123 Main Street, Anywhere, Iowa 50000.

Sample Accrual County Landfill Association

Basic Financial Statements

Sample Accrual County Landfill Association

Statement of Net Position

June 30, 2015

Assets

Current assets:

Cash and cash equivalents	\$ 206,533
Investments	417,758
Receivables:	
Accounts	46,933
Accrued interest	9,639
Prepaid insurance	2,917
Total current assets	<u>683,780</u>

Noncurrent assets:

Restricted investments	690,000
Capital assets, net of accumulated depreciation	181,850
Total noncurrent assets	<u>871,850</u>

Total assets

1,555,630

Deferred Outflows of Resources

Pension related deferred outflows	<u>13,045</u>
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Liabilities

Current liabilities:

Accounts payable	11,177
Salaries and benefits payable	3,067
Current portion of capital lease purchase agreement payable	31,879
Compensated absences	822
Total current liabilities	<u>46,945</u>

Noncurrent liabilities:

Capital lease purchase agreement payable	33,472
Landfill closure and postclosure care	649,727
Net pension liability	63,082
Net OPEB liability	8,230
Total noncurrent liabilities	<u>754,511</u>

Total liabilities

801,456

Deferred Inflows of Resources

Unavailable revenues:	
Pension related deferred inflows	<u>28,388</u>

Net position

Net investment in capital assets	116,499
Restricted for:	
Tonnage fees retained	5,000
Closure and postclosure care	40,273
Unrestricted	<u>577,059</u>

Total net position

\$ 738,831

See notes to financial statements.

Sample Accrual County Landfill Association

Statement of Revenues, Expenses and
Changes in Net Position

Year ended June 30, 2015

Operating revenues:	
Gate fees	\$ 483,148
County and city assessments	122,040
Other operating revenues	4,974
Total operating revenues	<u>610,162</u>
Operating expenses:	
Salaries and benefits	146,034
Machinery maintenance, labor and parts	5,812
Oil and gas	7,102
Long range planning and engineering	9,125
Site maintenance	6,084
Site utilities	3,952
Office expenses	4,155
Training and travel	382
Legal and accounting	3,250
Insurance	11,593
Closure and postclosure care	185,636
Planning and recycling	1,600
Iowa Department of Natural Resources tonnage fees	23,815
Depreciation	25,746
Non-capitalized equipment	1,183
Sales tax	2,863
Miscellaneous	2,897
Total operating expenses	<u>441,229</u>
Operating income	<u>168,933</u>
Non-operating revenues (expenses):	
Interest income	22,721
Interest expense	(4,784)
Net non-operating revenues	<u>17,937</u>
Change in net position	186,870
Net position beginning of year, as restated	<u>551,961</u>
Net position end of year	<u><u>\$ 738,831</u></u>

See notes to financial statements.

Sample Accrual County Landfill Association

Statement of Cash Flows

Year ended June 30, 2015

Cash flows from operating activities:	
Cash received from gate fees	\$ 475,992
Cash received from assessments	122,040
Cash received from other operating receipts	4,974
Cash paid to suppliers for goods and services	(93,139)
Cash paid to employees for services	(144,455)
Net cash provided by operating activities	<u>365,412</u>
Cash flows from capital and related financing activities:	
Principal paid on capital lease purchase agreement	(30,875)
Interest paid on capital lease purchase agreement	(4,270)
Purchase of capital assets	(25,291)
Net cash used by capital and related financing activities	<u>(60,436)</u>
Cash flows from investing activities:	
Purchase of certificates of deposit	(597,011)
Interest received	13,082
Net cash used by investing activities	<u>(583,929)</u>
Net decrease in cash and cash equivalents	(278,953)
Cash and cash equivalents beginning of year	<u>485,486</u>
Cash and cash equivalents end of year	<u>\$ 206,533</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 168,933</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	25,746
Closure and postclosure care	185,636
Increase in accounts receivable	(7,156)
Decrease in prepaid insurance	654
Decrease in accounts payable	(9,980)
Decrease in salary and benefits payable	(713)
Decrease in compensated absences	(73)
Decrease in net pension liability	(30,503)
Increase in deferred outflows of resources	(3,750)
Increase in deferred inflows of resources	28,388
Increase in other postemployment benefits	8,230
Total adjustments	<u>196,479</u>
Net cash provided by operating activities	<u>\$ 365,412</u>

See notes to financial statements.

Sample Accrual County Landfill Association

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The Sample Accrual County Landfill Association was formed in 1983 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Association is to operate the sanitary landfill in Sample Accrual County for use by all residents of the County.

The Association is composed of one representative from each of the eleven member cities and one representative from Sample Accrual County. The member cities are: Big Bluffs, Cloudy Springs, Northdale, Coolville, Park Lake, Harrisburg, River Falls, Blakestown, Round Lake, Jackson and Green Valley. Each member is entitled to one vote for each 1,500 people or fraction thereof as determined by the most recent general Federal Census.

The Association's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Sample Accrual County Landfill Association has included all funds, organizations, agencies, boards, commissions and authorities. The Association has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Association are such that exclusion would cause the Association's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Association to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Association. The Association has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Association are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Association distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Association's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash, Cash Equivalents and Investments – The Association considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2015 include certificates of deposit of \$1,107,758.

Restricted Investments – Funds set aside for payment of closure and postclosure care are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Association as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Buildings and improvements	\$ 25,000
Equipment and vehicles	5,000

Capital assets of the Association are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	40-50
Building improvements	20-50
Equipment and vehicles	2-20

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2015.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Compensated Absences – Association employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Association's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2015.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources the fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

(2) Cash, Cash Equivalents and Investments

The Association's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Association is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Association; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Association had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Capital Assets

A summary of capital assets for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 47,159	-	-	47,159
Capital assets being depreciated:				
Buildings	36,240	-	-	36,240
Equipment and vehicles	341,040	25,291	(15,890)	350,441
Total capital assets being depreciated	377,280	25,291	(15,890)	386,681
Less accumulated depreciation for:				
Buildings	17,214	906	-	18,120
Equipment and vehicles	221,530	24,840	(12,500)	233,870
Total accumulated depreciation	238,744	25,746	(12,500)	251,990
Total capital assets being depreciated, net	138,536	(455)	(3,390)	134,691
Total capital assets, net	\$ 185,695	(455)	(3,390)	181,850

Equipment costing \$130,857 was purchased under a capital lease purchase agreement. Accumulated depreciation on this equipment totals \$32,714, including \$18,694 of depreciation for the year ended June 30, 2015.

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Capital Lease Purchase Agreement	Compen- sated Absences	Net OPEB Liability	Net Pension Liability	Total
Balance beginning of year, as restated	\$ 96,226	895	-	93,585	190,706
Increases	-	11,100	8,230	-	19,330
Decreases	30,875	11,173	-	30,503	72,551
Balance end of year	\$ 65,351	822	8,230	63,082	137,485
Due within one year	\$ 31,879	822	-	-	32,701

Capital Lease Purchase Agreement

The Association entered into a capital lease purchase agreement for a John Deere scraper. The agreement is for a period of 4 years at an interest rate of 5% per annum and expires in fiscal year 2016. The following is a schedule by year of future minimum lease payments and the present value of net minimum lease payments:

Year Ending June 30,	Present Value of Net Minimum Lease Payments	Amount Representing Interest	Total Minimum Lease Payments
2015	\$ 31,879	3,266	35,145
2016	33,472	1,673	35,145
Total	<u>\$ 65,351</u>	<u>4,939</u>	<u>70,290</u>

Payments under this agreement for the year ended June 30, 2015 totaled \$35,145.

(5) Pension Plan

Plan Description. IPERS membership is mandatory for employees of the Association, except those covered by another retirement system. Employees of the Association are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Association contributed 8.93 percent for a total rate of 14.88 percent.

The Association's total contributions to IPERS for the year ended June 30, 2015 were \$9,575.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Association reported a liability of \$63,082 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Association's proportion of the net pension liability was based on the Association's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Association's collective proportion was 0.001559 percent which was a decrease of 0.000094 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Association recognized pension expense of \$3,710. At June 30, 2015, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 686	\$ -
Changes of assumptions	2,784	-
Net difference between projected and actual earnings on pension plan investments	-	24,058
Changes in proportion and differences between County contributions and proportionate share of contributions	-	4,330
City contributions subsequent to the measurement date	9,575	-
Total	<u>\$ 13,045</u>	<u>\$ 28,388</u>

\$9,575 reported as deferred outflows of resources related to pensions resulting from the Association contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (6,216)
2017	(6,216)
2018	(6,215)
2019	(6,215)
2020	(56)
	<u>\$ (24,918)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	-0.69
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Association will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Association's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Association's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Association's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Association's proportionate share of the net pension liability:	\$ 119,191	\$ 63,082	\$ 15,720

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the Association reported payables to the defined benefit pension plan of \$798 for legally required employer contributions and \$532 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(6) Other Postemployment Benefits (OPEB)

The Association participates in the Sample County postretirement medical plan (OPEB). The OPEB plan recognizes the implicit rate subsidy as required by GASB Statement No. 45.

The actuarial valuation of liabilities under the OPEB plan is calculated using the unit credit actuarial cost method as of the July 1, 2011 actuarial valuation. This method requires the calculation of an unfunded actuarial accrued liability, which was approximately \$655,000 for Sample County as of June 30, 2015. The Association's portion of the unfunded actuarial accrued liability is not separately determinable.

Details of the OPEB plan are available in Sample County's audit report for the year ended June 30, 2015. The report may be obtained by writing to the Sample County's Auditor's Office, 101 Main Street, Anywhere, Iowa 50000.

The Association recognized a net OPEB liability of \$8,230 for other postemployment benefits, which represents the Association's portion of Sample County's net OPEB obligation. The Association's portion of the net OPEB obligation was calculated using the ratio of full-time equivalent employees of the Association compared to full-time equivalent employees of Sample County.

(7) Closure and Postclosure Care

To comply with federal and state regulations, the Association is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Association have been estimated at \$237,522 and \$190,624 for closure and postclosure care, respectively, for Cell A and \$342,911 and \$316,928 for closure and postclosure care, respectively, for Cell B, for a total of \$1,087,985 as of June 30, 2015, and the portion of the liability that has been recognized is \$649,727. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2015. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of Cell B is 24 years. The capacity used at June 30, 2015 in Cell A is 100 percent and Cell B is 34 percent.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Association has begun accumulating resources to fund these costs and, at June 30, 2015, assets of \$690,000 are restricted for these purposes, of which \$350,000 is for closure and \$340,000 is for postclosure care. They are reported as restricted investments in the Statement of Net Position.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Association is required to demonstrate financial assurance for the unfunded costs. The Association has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Association must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

Chapter 567-113.14(8) of the IAC allows the Association to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Association is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

(8) Solid Waste Tonnage Fees Retained

The Association has established an account for restricting and using solid waste tonnage fees retained by the Association in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2015, the unspent amounts retained by the Association and restricted for the required purposes totaled \$5,000.

(9) Risk Management

The Association is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Association assumes liability for any deductibles and claims in excess of coverage limitations.

(10) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Net Position</u>
Net position June 30, 2014, as previously reported	\$ 636,251
Net pension liability at June 30, 2014	(93,585)
Change outflows of resources related contributions made after the June 30, 2013 measurement date	<u>9,295</u>
Net position July 1, 2014, as restated	<u><u>\$ 551,961</u></u>

Required Supplementary Information

Sample Accrual County Landfill Association
Schedule of the Association's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Required Supplementary Information

	<u>2015</u>
Association's proportion of the net pension liability (asset)	0.001559%
Association's proportionate share of the net pension liability	\$ 63,082
Association's covered-employee payroll	\$ 104,087
Association's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.61%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Association will present information for those years for which information is available.

Sample Accrual County Landfill Association
Schedule of Association Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 9,575	9,295	8,761	7,918
Contributions in relation to the statutorily required contribution	<u>(9,575)</u>	<u>(9,295)</u>	<u>(8,761)</u>	<u>(7,918)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Association's covered-employee payroll	\$ 107,223	104,087	101,055	98,112
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
6,620	6,150	5,701	5,274	4,866	4,725
<u>(6,620)</u>	<u>(6,150)</u>	<u>(5,701)</u>	<u>(5,274)</u>	<u>(4,866)</u>	<u>(4,725)</u>
-	-	-	-	-	-
95,254	92,480	89,786	87,171	84,632	82,167
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

Sample Accrual County Landfill Association
Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Members of the Sample Accrual
County Landfill Association:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Sample Accrual County Landfill Association as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, and have issued our report thereon dated October 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sample Accrual County Landfill Association's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sample Accrual County Landfill Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sample Accrual County Landfill Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Sample Accrual County Landfill Association's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Sample Accrual County Landfill Association's internal control described in the accompanying Schedule of Findings as items (A), (B) and (C) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (D) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sample Accrual County Landfill Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Association's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Association. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sample Accrual County Landfill Association's Responses to the Findings

The Sample Accrual County Landfill Association's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Sample Accrual County Landfill Association's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Sample Accrual County Landfill Association during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

MARY MOSIMAN, CPA
Auditor of State

October 22, 2015

Sample Accrual County Landfill Association

Schedule of Findings

Year ended June 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has control over each of the following areas for the Association:

- (1) Accounting system – record keeping for revenues, expenses and related reporting.
- (2) Receipts – collecting, depositing, journalizing and posting.
- (3) Payroll – changes to the master list, preparation and distribution.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Association should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff or Board members.

Response – Due to the limited number of office employees, segregation of duties is very difficult. However, we will have the Manager or a Board member review receipts, posting and payroll on a test basis.

Conclusion – Response accepted.

- (B) Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital asset additions not reported in the Association's financial statements. Adjustments were subsequently made by the Association to properly include these amounts in the financial statements.

Recommendation – The Association should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the Association's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

- (C) Reconciliation of Billings, Collections and Delinquent Accounts – Billings, collections and delinquent accounts were not reconciled each month.

Recommendation – Procedures should be established to reconcile customer billings, collections and delinquent accounts monthly. The Association should review the reconciliation, monitor delinquencies and approve write-offs of uncollectible accounts.

Sample Accrual County Landfill Association

Schedule of Findings

Year ended June 30, 2015

Response – A monthly reconciliation will be prepared and reviewed by the Association. Delinquent accounts will be reviewed and write-offs of uncollectible accounts will be approved.

Conclusion – Response accepted.

- (D) Expenses – Certain invoices were not properly marked “paid” to help prevent possible duplicate payment of invoices.

Recommendation – All paid invoices should be marked or stamped “paid” with the date of payment to aid in preventing possible duplicate payment of invoices.

Response – Invoices will all be marked paid.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Sample Accrual County Landfill Association

Schedule of Findings

Year ended June 30, 2015

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No expenditures of money for travel expenses of spouses of Association officials or employees were noted.
- (3) Board Minutes – No transactions were found that we believe should have been approved in the Association minutes but were not. However, the minutes did not always indicate the vote of each member present.

Recommendation – The Association should ensure the minutes indicate the vote of each member present as required by Chapter 21 of the Code of Iowa.

Response – This recommendation will be followed at future Board meetings.

Conclusion – Response accepted.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted, except as follows:

The Association has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The Association should adopt a written investment policy to comply with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – On October 15, 2015, the Association adopted a written investment policy as required.

Conclusion – Response accepted.

- (5) Solid Waste Tonnage Fees Retained – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

Sample Accrual County Landfill Association

Schedule of Findings

Year ended June 30, 2015

- (6) Financial Assurance – The Association has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	Cell A	Cell B
Total estimated costs for closure and postclosure care	\$ 428,146	659,839
Less: Balance of funds held in the local dedicated fund at June 30, 2014	(397,285)	(123,774)
	30,861	536,065
Divided by the number of years remaining in the pay-in period	÷ 1	4
Required payment into the local dedicated fund for the year ended June 30, 2015	30,861	134,016
Balance of funds held in the local dedicated fund at June 30, 2014	397,285	123,774
Required balance of funds to be held in the local dedicated fund at June 30, 2015	<u>\$ 428,146</u>	<u>257,790</u>
Amount Association has restricted for closure and postclosure care at June 30, 2015	<u>\$ 430,000</u>	<u>260,000</u>

Sample Accrual County Landfill Association

Staff

This audit was performed by:

John Q. Reviewer, CPA, Manager
Jerome Warning, CPA, Senior Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State